

Time Commenced: 10.00am
Time Ended: 12.23pm

AUDIT AND GOVERNANCE COMMITTEE
26 July 2023

Present: Councillor Mulhall (Chair)
Councillors Care, Bolton, Kus, Wilson and J Wright.
Co-opted Member Philip Sunderland

In attendance: Richard Boneham – Head of Internal Audit
Alison Parkin – Director of Finance
Hannah McDonald – Group Auditor
Linda Spiby – Head of Procurement
Sarah Walker - Head of Strategy, Performance and Partnerships
Nigel Brien - Head of Traffic & Transportation
Katherine Mawson - Assurance Lead for Strategy, Performance and Partnerships

14/23 Apologies for Absence

Apologies for absence were received for Councillor Morgan-McGeehan, Councillor Repton and Councillor Sandhu.

15/23 Late Items

There were no late items.

16/23 Declarations of Interest

Philip Sunderland declared an interest in Item 09 - Appointment of Independent Persons to the Audit and Governance Committee.

17/23 Minutes of the meeting held on 14 June 2023

The minutes of the meeting held on 14 June 2023 were agreed as a correct record.

18/23 Audit and Governance Committee – Outstanding Resolutions

The Committee received a report which stated which stated that at its meeting on 5 February 2020, the Audit and Accounts Committee resolved: to agree that a

Resolution Tracking report be included in future agendas of the Audit and Accounts Committee.

Outstanding resolutions and actions were attached at Appendix 1 of the report. Any completed resolutions and actions would be removed after the meeting.

Resolved:

- 1. to note the report.**
- 2. To note that the Allestree Hall report would come to the next Committee meeting.**

19/23 Contract Waivers for the period 1 January 2023 to 30 June 2023

The Committee received a report of the Director of Corporate Governance, Property and Procurement on Contract Waivers for the period 1 January 2023 to 30 June 2023. The report was presented by the Head of Procurement.

It was noted that for the period 1 January 2023 to 30 June 2023 there had been 31 waivers and that of the 31 waivers, 25 were considered to be unavoidable.

It was reported that for the period 1 July 2022 to 31 December 2022 there had been 56 waivers and that of the 56 waivers, 48 were considered to be unavoidable.

It was noted that all avoidable waivers over £10,000 were reported at appendix 1 of the report and that each waiver was signed off by the relevant Director stating they agreed with the recommendation.

It was noted that a waiver was required if the relevant process outlined in the Council's Contract Procedure Rules for awarding a contract could not be followed.

Councillors asked whether a system was in place to highlight services that were consistently using waivers. It was noted that this would be picked up and that directors had been called in previously to ask why multiple waivers were required.

Councillors asked whether waivers were being sought as a result of oversight by officers rather than as a result of fraud. It was noted that all waivers on this report were not linked to fraud and that Procurement and Internal Audit worked together to ensure that waivers weren't linked to fraud.

Resolved to note the contents of the report and the quarterly comparison of the total number of waivers being reported.

20/23 Annual Report and Review of Performance

The Committee received a report of the Cabinet Member for Strategy, Governance and Finance and Chief Executive on the Annual Report and Review of Performance. This was presented by the Head of Strategy, Performance and Partnerships and Assurance Lead.

It was noted that every year the Council produced a short Annual Report, which was published alongside its Annual Review of Performance that presented a summary of the Council's progress against agreed priorities from the last year.

It was reported that these documents were important in communicating the work that the Council delivered, its achievements and the challenges it had encountered. They also complemented the Statement of Accounts and Annual Governance Statement that, by necessity, were technical in nature and published separately.

A councillor asked how residents could view this report. It was noted that the contents of the report were promoted by the Communications and Marketing team throughout the year. It was noted that the report was also published on the Council's website.

Committee members suggested that the report should be on the agenda for Neighbourhood Board meetings.

A councillor asked whether a smartphone version of this report could be produced. It was noted that the Head of Strategy, Performance and Partnerships and Assurance Lead would discuss this with the Communications and Marketing team.

It was agreed that councillors would be provided with a demonstration of the performance management system – DORIS.

A councillor asked whether the public could access raw data that contributed to this report. It was noted that some raw data was available on the Info4derby website. It was reported that this would be looked at as part of the refresh of the Council's performance management system.

Resolved:

- 1. to note the Annual Report and Annual Review of Performance.**
- 2. to recommend that Neighbourhood Boards include this report on their agendas.**
- 3. to request that councillors are provided with a demonstration of the performance management system – DORIS.**

21/23 2022/23 year-end risk assurance report

The Committee received a report from the Director of Corporate Management on the 2022/23 year-end risk assurance report. This report was presented by the Head of Strategy, Performance and Partnerships and Assurance Lead.

It was noted that in January 2023, the Audit and Governance Committee considered the mid-year risk assurance report for 2022/23. It was noted that key highlights noted in the mid-year review of risk assurance included:

- guidance on risk escalation and de-escalation has been developed to aid risk identification and analysis;
- sign-off arrangements have been added to risk registers to strengthen oversight and governance;
- draft risk appetite statements were in place;
- a review and alignment of risk registers had been completed, including strengthening our risk register templates;
- there have been targeted programme and project risk assurance activities through the implementation of the Project Management Platform, alongside the development of an Assurance and Development Group to underpin the Programme Management Office Board (PMO);
- the Assurance Team introduced six-monthly assurance reviews on strategic and directorate risks where the scores remained unchanged, despite mitigations, to make sure that risks are appropriately defined, review the context, any barriers to reduced ratings and any anticipated impacts of controls; and
- an initial self-assessment of risk maturity was completed.

It was reported that based on an assessment of the strategic risk register at the end of 2022/23, the Corporate Risk Management Group (CRMG) recommended a review of the risk level of all strategic risks to seek assurance that they continued to be managed at the correct level.

It was noted that two risks and two 'risk themes' would be assessed through targeted risk review activities, led by the Assurance Team, to ensure that the risks were appropriately identified and defined:

- SR30_PS24 - Local Area SEND services and provision is not effective.
- SR21_CR22 – Health and Wellbeing.
- Accommodation sufficiency to meet the need for statutory housing duties in the city.
- Strategic coordinated asset management, governance and oversight of our property portfolio.

It was reported that based on the assessment completed at the end of June 2023, on the updates provided at the end of March 2023, there were no risks recommended for consideration via a Risk Surgery, with the outcomes of any targeted risk assurance activities reported in the next update to the Committee.

A councillor asked whether a standard risk matrix was used to calculate the risks in this report. It was noted that a four-by-four matrix was used including a risk matrix and an opportunity matrix.

A councillor asked whether it was possible that a perfect storm could occur with all risks realised at the same time. It was noted that whilst this was possible, significant work was being undertaken to reduce the likelihood of this happening.

A councillor asked whether a burn down chart could be created so that risks could be viewed in a simpler form. It was agreed that this would be discussed going forwards.

Resolved:

- 1. to note the progress made from the mid-year position on assurance assessments for each stage of the risk management process, presented in paragraph 4.5 of the report.**
- 2. to note the latest assurance overview completed on risks within the strategic risk register, Appendix 1, and the subsequent recommendations for targeted risk assurance activities during 2023/24.**

22/23 Appointment of Independent Persons to the Audit and Governance Committee

Philip Sunderland left the meeting room at this point.

The Committee considered a report of the Head of Democracy which sought the agreement of the Committee to ask Council to approve the appointment of four independent members to the Audit and Governance Committee for a four-year term.

It was noted that the four proposed Co-opted members would together bring a wealth of knowledge and experience to the Audit and Governance Committee. The skills set of the four proposed Co-opted members complemented each other and covered the important areas of risk management, internal and external audit, governance, financial management and reporting. It was reported that the Chair and Vice-chair of the Audit and Governance Committee had been consulted on these appointments and had agreed with the proposal to increase the number of Co-opted members from two to four.

A member of the Committee asked whether the appointments could be staggered, with two Co-opted members appointed for 2-year terms and the other two Co-opted members appointed for four-year terms. The Committee agreed that it would be beneficial to stagger these appointments.

Resolved:

- 1. to request that Full Council approve the appointments of Philip Sunderland, Paul Stone, David Webster and Anthony Doleman as Co-opted members to the Audit and Governance Committee.**
- 2. subject to Council approval, to request that the Head of Democracy, the Director of Finance and the Head of Internal Audit select two candidates to be appointed for two-year terms, expiring on 20 May 2025 and two candidates to be appointed for four-year terms, expiring on 18 May 2027.**

Philip Sunderland returned to the meeting room at this point.

23/23 Counter Fraud Annual Report 2022/23

The Committee received a report from the Director of Finance on the Counter Fraud Annual Report 2022/23. This was presented by Head of Internal Audit.

It was noted that fraud was a significant risk to the public sector and that financial loss due to fraud could reduce a council's ability to support public services and could cause reputational damage.

The Committee noted that the Annual Report attached at Appendix 1 outlined the counter fraud work undertaken around the key elements of the Council's current counter fraud framework.

Councillors asked whether mandatory e-learning for fraud awareness for all staff could be introduced. It was agreed that the Director of Finance and the Head of Internal Audit would discuss this and the associated costs.

A councillor asked why there had been no suspicious activity reports. The Head of Internal Audit informed the Committee that they would ask the Head of Legal Services to provide a response. A councillor asked whether comparisons with other local authorities were available. It was noted that the Counter Fraud Team were part of an East Midlands group which shared data and best practice.

Resolved:

- 1. to note the Counter Fraud Annual Report 2022/23.**
- 2. that the Director of Finance and the Head of Internal Audit would**

explore whether a mandatory e-learning course for all employees on fraud awareness could be introduced.

24/23 Internal Audit Progress Report

The Committee received a report on the Internal Audit Progress Report. The report was presented by the Head of Internal Audit and provided the Committee with an overview of the output from Internal Audit assurance work for the period from 9th March 2023 to 7th July 2023.

It was noted that the Audit and Governance Committee was responsible for providing assurance to the Council on the effectiveness of its governance arrangements, its risk management framework and the internal control environment. It was noted that the work of Internal Audit supported the Committee in providing this assurance.

The committee noted that internal audit plans needed to take account of changes in the Council's risks and that the move to a rolling quarterly based internal audit plan had helped to achieve a more responsive approach to changes in risk.

The Head of Internal Audit informed the Committee that a report on the progress against the 2023/24 internal audit plan was attached at Appendix 1. It was reported that the progress report also contained the latest position on the actions detailed in CMAP's Quality Assurance and Improvement Plan (QAIP).

The Committee received an update from the Head of Traffic and transportation on two recommendations from the Bus Station audit. The first recommendation was concerned with the fact that a reconciliation of the cash counted to amount that should have been collected could not be performed in respect of the toilet turnstile. The second concerned the control process designed around the daily cashing up and paying in process being poorly conceived.

It was noted that the first risk was mitigated by stopping some of the cash related activities, which would not be reintroduced when the programme for toilet and facilities improvement was delivered. It was noted that work was due to start in August 2023 on some of this. It was reported that the second issue was related to staff levels and that the service had very limited options to mitigate this risk.

A councillor asked whether site visits had been carried out at the arena. It was noted that site visits had been carried out as part of the catering audit. A councillor asked whether the building consultancy audit was linked to contract procurement and whether the new procurement process would impact this. The Head of Internal Audit agreed to speak to the relevant head of service.

The Committee commended the work that had been done on the food safety report.

Resolved:

- 1. to note the progress being made by Internal Audit on its work in 2023/24 in the report at Appendix 1.**
- 2. to review the control issues being raised by Internal Audit and management's response to the risks.**
- 3. to review the “risk accepted” response updates provided to the two significant risk recommendations in the Bus Stations audit review and decided that as a committee it was comfortable with the decision taken by management.**
- 4. to review the progress being made by management in respect of the implementation of internal audit recommendations.**

25/23 Exclusion of Press and Public

Resolved that under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting during discussion of the following item on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

26/23 Risk Accepted Recommendations

The Committee received a report from the Director of Finance on Risk Accepted Recommendations. The report was presented by the Head of Internal Audit. The purpose of the report was to advise the Committee on internal audit recommendations that had been “risk accepted” since the last Internal Audit Progress Report was considered at the Committee meeting on 22nd March 2023.

Resolved:

- 1. To accept the Payments for Children's Social Care 2021-22 recommendations.**
- 2. To request further assurances from Management on the Boundary Defence and Digital By Default Project - Household Support Fund recommendations.**

MINUTES END